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TREASURER FONG REPORTS RATING AGENCIES "STUNNED"
BY CALIFORNIA'S ECONOMIC RECOVERY
Treasurer to Report Back to Legislature

NEW YORK- California State Treasurer Matt Fong in New York for the annual presentation of the state's budget said Wednesday that rating agencies are now convinced of California's economic recovery. Fong said he will meet with state lawmakers in the coming weeks to brief them on the visits and explore the possibility of having a "mid-course correction mechanism" in the budget process, an issue raised by one of the rating agencies.

"The response was far more positive than in recent years," Fong said. "Wall Street was stunned by the strength, quickness and stability of California's economic recovery."

"California deserves an upgrade," Fong said. But the state's chief financial officer said, "realistically the timing may be too soon following last year's successful increase."

Last year, Fitch's and Standard & Poor's gave California its first increase in five years, raising California's credit standing on general obligations bonds to A+ from A. Fong said that increase saved California taxpayers over \$20 million last year, enough to pay the salaries of roughly 570 teachers.

"To maintain the stability of our state budget, they would like to see either a larger budget reserve for the sudden or unexpected economic emergencies or, as an alternative, create a formalized mechanism that automatically brings the parties together to implement necessary changes to the budget. I would defer to lawmakers the extent of those changes."

The treasurer said rating agencies are always concerned about the cyclical nature of our economy and budget. A larger reserve or a more formalized mechanism would go a long way to improving stability. "We have already succeeded in making the case that California's economic growth is real," Fong said.

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During his presentation, Fong told the rating agencies that California has emerged from the recession and is outpacing the nation in job creation, income gains and increases in output.

To support his claim, Fong points to a battery of statistics that paint a picture of a healthy, growing economy in the Golden State. According to Fong, last year, the state posted the highest job gains since 1988 and saw the lowest unemployment rate since 1990. Fong also touted a recent study that predicted that by 1995, California would double the nation's job growth and exceed the nation's income growth by 33 percent.